



## U.S. House of Representatives

Washington, DC 20515

COMMITTEE ON THE BUDGET

February 5, 2021

The Honorable Phillip Swagel  
Director, Congressional Budget Office  
Ford House Office Building  
Washington, D.C. 20515

Dear Director Swagel:

I am aware that the Congressional Budget Office (CBO) is currently in the process of producing multiple cost estimates and economic analyses of proposals to increase the federal minimum wage. It is my understanding that CBO has the capabilities to include additional information in its estimates of federal minimum wage policies and I ask that your analysis provide a wholistic assessment of this policy, including the effects of raising the minimum wage on unemployment, seniors (particularly those who are reliant on fixed incomes), low-income Americans, disabled workers, and the costs of goods and services.

As the country continues to face economic and labor challenges due to almost a year of enduring the COVID-19 pandemic and the glut of state lockdowns that have ravished our economy, it is important that policymakers have a thorough understanding of the impacts of this policy, which is currently being pursued by the new Administration and congressional Democrats. On January 26<sup>th</sup>, 2021, House Democrats introduced H.R. 603 Raise the Wage Act of 2021, a similar version of H.R. 582 Raise the Wage Act from the 116<sup>th</sup> Congress. This proposal would have far-reaching economic effects, and it is vital for policymakers to have a detailed understanding of the impacts this policy would have on working-class Americans and the broader economy.

In addition to previous CBO reports, there are numerous statistics and examples that point to the significant effects of price controls in general and of the minimum wage specifically. Some of these include:

- Data showing that young workers under the age 25 make up almost half of all current minimum-wage earners.<sup>1</sup> This population, many of whom are students and recent graduates, are looking for experience and to get their foot in the door so they can move up the ladder. Such a policy robs many of them of those opportunities.
- Seattle's minimum wage increase from \$11 to \$13 in 2016 reduced the hours worked in low-wage jobs by about 9 percent, while only increasing hourly wages by 3 percent. As a

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<sup>1</sup> *Characteristics of minimum wage workers, 2019*, Bureau of Labor Statistics, Apr. 2020, <https://www.bls.gov/opub/reports/minimum-wage/2019/home.htm>.

result, these low-wage employees who retained their jobs saw their earnings fall by \$125 per month, on average, in 2016. The 5,000 who lost their jobs were not so lucky.<sup>2</sup> It is important to note that this happened in Seattle, which has one of the highest costs of living in the nation. Imagine what such a policy would do in the state of Missouri, which has the sixth-lowest cost of living in the nation.

- Studies showing how minimum wage policies disproportionately harm small businesses including: a 2017 study showing that increasing the minimum wage by 1 percent would reduce the survival rate of startup businesses by 3.5 percent,<sup>3</sup> and findings from the Employment Policies Institute showing that almost half of minimum wage earners are employed by businesses with less than 100 employees.<sup>4</sup>

It is no wonder that big businesses such as Amazon, who have already automated low-paying jobs, would support increasing the minimum wage<sup>5</sup>—it would harm Amazon’s competitors. I am concerned that the White House and congressional Democrats are supporting policies that could be anti-jobs and anti-small business despite the almost 100,000 businesses that have permanently closed<sup>6</sup> and 10 million jobs lost<sup>7</sup> since the onset of the pandemic.

There could be other consequences of increasing the minimum wage, such as increasing price levels which would especially impact low-income households and those with fixed incomes, such as senior citizens. For roughly half of senior citizens, Social Security payments make up 50 percent or more of annual income. Additionally, many disabled workers, who are willing to work below the minimum wage, would be impacted by the Raise the Wage Act of 2021 provision to gradually increase the 14(c) wage. My understanding is that this policy could reduce the opportunity cost of hiring non-disabled workers, which may lead employers to hire fewer workers with disabilities, limiting employment opportunities for this population.

For these reasons, it is critical that CBO includes the following information in its analyses and estimates of proposals that call for increasing the minimum wage:

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<sup>2</sup>Jardim, Long, Plotnick, van Inwegen, Vigdor, and Wething, *Minimum Wage Increases, Wages, and Low-Wage Employment: Evidence From Seattle*, National Bureau of Economic Research, Jun. 2017, [https://evans.uw.edu/wp-content/uploads/files/w23532\\_0.pdf](https://evans.uw.edu/wp-content/uploads/files/w23532_0.pdf).

<sup>3</sup> Xiaohui Gao, *Do Minimum Wage Hikes Hinder Entrepreneurship?*, Feb.22, 2017, [https://scholar.rhsmith.umd.edu/sites/default/files/xiaohui/files/minimum\\_wage\\_and\\_entrepreneurship.pdf?m=1504707392](https://scholar.rhsmith.umd.edu/sites/default/files/xiaohui/files/minimum_wage_and_entrepreneurship.pdf?m=1504707392).

<sup>4</sup>Even and MacPherson, *Fighting \$15? An Evaluation of the Evidence and a Case for Caution*, Employment Policies Institute, Jan. 2019, [https://www.epionline.org/wp-content/uploads/2019/01/EPI\\_Bookv5.pdf](https://www.epionline.org/wp-content/uploads/2019/01/EPI_Bookv5.pdf).

<sup>5</sup> Allana Akhtar, *Amazon exec Jay Carney pens letter in support of \$15 minimum wage increase*, Microsoft News, Jan. 26, 2021, [https://www.msn.com/en-au/news/world/amazon-exec-jay-carney-pens-letter-in-support-of-dollar15-minimum-wage-increase/ar-](https://www.msn.com/en-au/news/world/amazon-exec-jay-carney-pens-letter-in-support-of-dollar15-minimum-wage-increase/ar-BB1d7lJQ#:~:text=Amazon%20SVP%20of%20global%20corporate%20affairs%20Jay%20Carney,2018.%20Visit%20Business%20Insider%27s%20homepage%20for%20more%20stories)

[BB1d7lJQ#:~:text=Amazon%20SVP%20of%20global%20corporate%20affairs%20Jay%20Carney,2018.%20Visit%20Business%20Insider%27s%20homepage%20for%20more%20stories](https://www.msn.com/en-au/news/world/amazon-exec-jay-carney-pens-letter-in-support-of-dollar15-minimum-wage-increase/ar-BB1d7lJQ#:~:text=Amazon%20SVP%20of%20global%20corporate%20affairs%20Jay%20Carney,2018.%20Visit%20Business%20Insider%27s%20homepage%20for%20more%20stories).

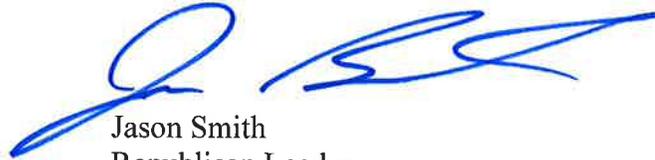
<sup>6</sup> *Yelp: Local Economic Impact Report*, Yelp Economic Average, Sep. 2020, <https://www.yelpeconomicaverage.com/business-closures-update-sep-2020.html>.

<sup>7</sup> *Employment recovery in the wake of the COVID-19 pandemic*, Bureau of Labor Statistics, Dec. 2020, <https://www.bls.gov/opub/mlr/2020/article/employment-recovery.htm>.

- the amount of lost jobs. As outlined in a previous CBO report,<sup>8</sup> up to 3.7 million jobs would be lost if a mandate was implemented to increase the minimum wage;
- the additional burden on businesses;
- the higher prices of goods and services placed on consumers. Specifically, CBO should include analysis on how increased prices in goods and services will impact seniors living on fixed incomes and low-income Americans; and
- the impact on disabled workers.

We need to be mindful of any policies which could directly impact Americans, particularly at a time when many families and small businesses are trying to stay afloat. This is especially the case if such a policy could exacerbate the hardships faced by Americans—rather than solve them—and be counterproductive to workers and the nation’s economic recovery. It is critical that a thorough analysis be done before enacting certain policies, such as increasing the minimum wage, so that individuals, particularly the working-class, seniors, and the most vulnerable, can be aware of how these policies may impact their livelihood and the ongoing economic recovery.

Sincerely,



Jason Smith  
Republican Leader  
Committee on the Budget

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<sup>8</sup> Congressional Budget Office, *The Effects on Employment and Family Income of Increasing the Federal Minimum Wage*, July 2019, <https://www.cbo.gov/system/files/2019-07/CBO-55410-MinimumWage2019.pdf>.